



**PULLMAN** **PUBLIC**  
**COMMUNITY** **FREE**  
**MONTESORI** **K-9**

## Pullman Community Montessori

### Finance Committee (FC)

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#### Date and Time

Tue Apr 18, 2023 at 5:00 PM PDT

#### Location

Keeping safety as our top priority, until further notice, all committee meeting will be conducted virtually over Zoom.

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#### Agenda

##### I. Opening Items

###### A. Record Attendance

###### B. Call the Meeting to Order

'Grounding Questions' for the FC:

- Do we believe that our internal policies and procedures are being followed?
- What is our current cash balance, and is management confident in the organization's ability to meet short term cash needs?
- How are our actuals to budget performing for this fiscal year? If there have been material unfavorable variances, in expenses or revenues, what is being done to mitigate this?
- How are our "big projects" going? (ex: facilities, enrollment drives, hiring, etc).

###### C. Approve Minutes

Please review the prior meeting minutes in advance and come to the meeting with any amendments in writing that can be added to the Zoom chat. This makes recording changes quick and easy.

## II. Finance Committee (FC)

### A. Approve March Financials

During this piece of the meeting, Matt and Laylah will share what the FC Committee should be "looking for" in order to build those habits and mindsets.

Please review the school financials below prior to the meeting. Please try to ask questions to Matt or Laylah in advance so we are prepared to vote at the meeting.

1. Dashboard (high level view of main metrics)
2. Balance Sheet
3. Profit & Loss Statement/Income Statement
4. Budget vs. Actual Report & Forecast vs Actual Report
5. Statement of Cash Flows
6. Payroll and AP Certification
7. Review Financial Dashboard to ensure meeting commission standards (mark goal as complete once reviewed)
8. [Financial Framework Condensed Tracker](#)

## III. Goals

APPROVED goals for SY22-23

COMPLETE Complete first audit.

COMPLETE Address and fix any feedback from audit.

ONGOING/Completed Process Provide monthly Private Funding Updates to the Board

COMPLETED 1x: Prepare and discuss scenarios regarding funding and enrollment to present to Board  
2x this year

Recruit 2 new committee members

### A. Scenario and Board Financial Literacy Support

How will we onboard new board members to understand and have good questions in reference to school financials?

What will the annual board trainings around Fiduciary responsibilities and best practices look like?

How will we onboard board members who join mid-year? Is there a way to do this to not overload one of us (maybe recordings)?

Who will do this and how do we keep track?

How do we keep the board on the info/questions included in the two aforementioned documents (contract & 50+ questions)?

Suggestion from Matt:

1. **Short term sustainability:** do we have enough resources (cash) to meet short term obligations (AP and payroll for the next 3-6 months)?
  - How does the Board track this? The cash piece on the dashboard would be the discussion starter: "Is cash red, green or yellow? If it's not green, why and what are we doing to fix it?"
2. **Long term sustainability:** do we have a multi year plan that shows us being sustainable in the long term?
  - This is more of a yearly discussion, around budget time: "Does the 5 year budget show sustainability? (positive net incomes and 30-60 days ending cash, by month; meeting fiscal covenants); if not, what is the plan to make the organization sustainable?"
3. **Budget status:** is management sticking to the budget?
  - How does the Board track this? The revenues and expenses trackers on the dashboard: "Are revenues and expenses tracking to budget? If not, what is the plan to get back on track?"
  - They should also be certain that the FC has reviewed a line by line budget to actual report, with updated forecasts, and that if a budget account is projected to go materially over budget, that there's a reason / plan behind it.

**B.** Recruit new committee members

#### **IV. Other Business**

Next meeting, we will review:

[Board Staff Financial Contract](#)

[50+ Smart Questions to Ask About Your Schools Finances](#)

[PCM Logic Model](#) (10,000 foot view)

#### **V. Closing Items**

**A.** Adjourn Meeting

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**Grounding Docs:** [FC Description & Responsibilities](#) , [Norms-We are LEADERS too-Structure and Responsibilities Overview](#), [Bylaws](#) (read committees section), [PCM Logic Model](#), [Org Charts](#)

**School Wide Evaluation Tools (model fidelity):** [EEMPS Rubric](#), [School-Wide Reflective Practice Inventory](#)

**Resources:** [Planning Yr Financials Considerations](#), [Example Dashboard Review](#), [Contract](#), Commission Financial Performance Framework

# Coversheet

## Approve March Financials

<b>Section:</b>	II. Finance Committee (FC)
<b>Item:</b>	A. Approve March Financials
<b>Purpose:</b>	Vote
<b>Submitted by:</b>	
<b>Related Material:</b>	<ul style="list-style-type: none"><li>1. PCM Finance Dashboard Mar 2023.pdf</li><li>2. PCM Income Statement Mar 2023.pdf</li><li>3. PCM Balance Sheet Mar 2023.pdf</li><li>4. PCM BvA Mar 2023.pdf</li><li>5. PCM Statement of Cash Flows Mar 2023.pdf</li><li>6. PCM Payroll and AP Certification Mar 2023.pdf</li><li>6a. PCM Auditing Officer Approval Mar 2023.pdf</li><li>6b. PCM Payroll Report Mar 2023.pdf</li><li>6c. PCM AP Register Mar 2023.pdf</li><li>6d. PCM Non-AP Register Mar 2023.pdf</li><li>CSC.Financial-Performance-Framework.FINAL_.06172021.pdf</li><li>Financial Framework Condensed Tracker (2022-23).xlsx</li></ul>



## Finance Dashboard

March 2023

	<b>Metric</b> <i>Description</i>	<b>Result</b>	<b>Goal</b>	<b>Status</b>	<b>Notes</b>
1.	<b>Current Student Recruitment Count</b> <i>Enrollment is the school's primary revenue driver</i>	95%	100%	○	<i>Current enrollment: 93 (AAFTE: 95.00) Budget: 100 SPED: 13.5 budget, 16 actual</i>
2.	<b>Public Revenue Received as a % of overall budget</b> <i>Measures rate of receipt of public funds to date</i>	54%	58%	○	<i>Remaining State funding application: TBIP (ELL funding)</i>
3.	<b>Private Revenue Received as a % of overall budget</b> <i>Measures progress against fundraising goals</i>	24%	58%	○	<i>Now includes local fundraising goals (only 11% met)</i>
4.	<b>Expenditures to date as a % of overall budget</b> <i>Measures actual spending against planned spending</i>	63%	58%	○	<i>Without rent and travel "overages", result = 60.15% spent, reasonable.</i>
5.	<b>Cash on Hand</b> <i>Measures operational and financial stability</i>	Current: 200k Forecast: \$220k	\$192k	○	<b>CASH IS DANGEROUSLY LOW</b>

### Additional notes for discussion:

- **[!Alert!] Cash: without a cash infusion PCM will be running out of cash in the next 1-2 months!**
  - WA Charters agreed to move up the July/August \$43k payment to April/May but that is not sufficient.
- **Local funder update?**
- **Current accounts over-spent:** workers comp (119%, budget issue, fixed); furniture (117%, timing issue); staff recruitment (145% spent, only \$900 over budget); student recruitment (306%, underbudgeted); travel (846%, grant funded expenses, budget neutral); rent (84%, deferral accounting issue, budget neutral)

Current fiscal year count of missing documentation: ~\$7k

jg<sup>P</sup>

# Pullman Community Montessori

## Profit and Loss

March 2023

	TOTAL			
	MAR 2023	FEB 2023 (PP)	CHANGE	SEP 2022 - MAR 2023 (YTD)
<b>Revenue</b>				
3100 Local Donations	25.00	70.27	-45.27	2,072.91
3198 Sales - School Meals	894.50	1,901.50	-1,007.00	12,685.20
3201 Interest Income (Public)	0.02	0.01	0.01	0.12
3520 Private Foundations / Grants		2,728.68	-2,728.68	56,155.49
4000 General Apportionment	149,659.43	86,829.54	62,829.89	632,060.79
4021 Special Education - General Apportionment	716.53	985.91	-269.38	5,381.12
4121 Special Education - State	19,225.42	9,139.23	10,086.19	77,639.53
4155 Learning Assistance	986.91	986.90	0.01	6,305.23
4174 Highly Capable	251.38	210.52	40.86	1,606.05
4198 State - School Food Service	31.40	21.20	10.20	99.30
4199 Transportation	3,434.81	18,509.81	-15,075.00	21,944.62
4258 State Miscellaneous Revenue				1,755.10
5101 Title 1		13,147.00	-13,147.00	13,147.00
5102 Title 2	2,267.55	688.90	1,578.65	2,956.45
5124 Federal SPED - IDEA	1,337.88	1,235.80	102.08	8,735.22
5198 Federal - School Food Services (NSLP)	2,144.61	1,796.18	348.43	23,269.88
5199 Federal - Misc Grants	13,844.88	7,387.66	6,457.22	103,021.13
5200 Federal - CSP	7,825.35	39,937.77	-32,112.42	106,453.01
<b>Total Revenue</b>	<b>\$202,645.67</b>	<b>\$185,576.88</b>	<b>\$17,068.79</b>	<b>\$1,075,288.15</b>
<b>GROSS PROFIT</b>	<b>\$202,645.67</b>	<b>\$185,576.88</b>	<b>\$17,068.79</b>	<b>\$1,075,288.15</b>
<b>Expenditures</b>				
6005 Certificated - Executive Management	7,500.04	7,500.04	0.00	56,250.11
6106 Classified - Operations Staff	12,532.90	12,380.68	152.22	83,665.04
6110 Classified - Instructional Management	6,500.04	6,500.04	0.00	45,500.28
6190 Classified - Other - Non -Instructional	6,410.80	5,739.83	670.97	39,860.14
6198 Classified - Lunch Staff	3,741.77	3,078.80	662.97	22,976.81
6270 Certificated - Teachers - Regular	19,070.80	19,070.80	0.00	166,642.77
6271 Certificated - Teachers - Substitutes	0.00	910.00	-910.00	5,080.95
6275 Certificated - Teachers - SPED	13,439.78	10,944.21	2,495.57	74,604.99
6278 Certificated - Stipends	1,041.66	1,041.66	0.00	4,229.12
6370 Classified - Teachers - Regular	4,723.06	4,723.06	0.00	40,047.89
6371 Classified - Teachers - Substitutes	4,504.52	881.57	3,622.95	13,256.26
6373 Classified - Aides - Regular	13,253.07	10,806.29	2,446.78	85,254.64
6378 Classified - Stipends	666.66	666.66	0.00	1,999.98
7051 Social Security/Medicare/FUTA	3,795.93	3,374.25	421.68	25,230.46
7052 Worker's Compensation Insurance	821.56	709.67	111.89	5,238.97
7053 State Unemployment	262.08	227.49	34.59	6,403.26
7055 Retirement Contribution - DRS	11,105.96	10,586.60	519.36	77,859.71
7056 Health Insurance - SEBB	15,903.00	15,903.00	0.00	118,958.00

# Pullman Community Montessori

## Profit and Loss

March 2023

	TOTAL			
	MAR 2023	FEB 2023 (PP)	CHANGE	SEP 2022 - MAR 2023 (YTD)
8005 Audits	13,643.00	10,100.00	3,543.00	23,743.00
8010 Legal	2,394.40		2,394.40	5,781.90
8015 Oversight Fee (3%)	5,257.25	3,540.09	1,717.16	22,334.11
8035 Payroll & Accounting Services	8,400.00	8,400.00	0.00	58,800.00
8040 Special Ed Services	6,874.95	8,725.60	-1,850.65	47,810.27
8050 Contracted Services - Tech		377.65	-377.65	4,536.13
8051 Contracted Services - Program Support / PD	6,367.23	691.66	5,675.57	22,428.56
8053 Contracted Services - Misc	2,500.00	2,500.00	0.00	15,000.00
8054 Contracted Services - Afterschool	3,394.09		3,394.09	18,918.45
8055 Printing				1,954.94
8060 Dues & Memberships	1,740.54		1,740.54	2,235.54
8505 Board Expenses	833.33	833.33	0.00	5,833.31
8510 Classroom / Teaching Supplies & Materials	5,686.99	210.19	5,476.80	16,367.03
8515 Special Ed Supplies & Materials				755.57
8530 Equipment / Furniture	210.49		210.49	23,253.06
8535 Telephone / Internet	634.94	634.94	0.00	5,272.21
8540 Technology - Hardware		568.74	-568.74	1,458.55
8541 Technology - Software	4,663.34	782.56	3,880.78	20,200.75
8545 Student Testing & Assessment				1,270.00
8565 Office Expense	517.71	812.36	-294.65	5,994.47
8570 Staff Development	1,200.00		1,200.00	5,592.50
8575 Staff Recruitment	129.48	560.00	-430.52	2,901.77
8580 Student Recruitment / Marketing	1,882.45	131.50	1,750.95	9,201.73
8585 School Meals / Lunch	6,917.29	11,043.10	-4,125.81	39,780.66
8590 Travel (Staff)		507.08	-507.08	21,155.49
8595 Fundraising				501.09
8599 Transportation (student)		1,438.33	-1,438.33	2,638.35
9005 Insurance Expense	3,217.69	272.75	2,944.94	11,255.49
9010 Janitorial	1,788.58	1,991.43	-202.85	13,014.61
9015 Building and Land Rent / Lease	14,634.33	14,634.33	0.00	102,440.31
9020 Repairs & Maintenance Bld				427.16
9045 Interest Expense	2,455.88	2,293.89	161.99	16,460.21
<b>Total Expenditures</b>	<b>\$220,617.59</b>	<b>\$186,094.18</b>	<b>\$34,523.41</b>	<b>\$1,402,376.60</b>
<b>NET OPERATING REVENUE</b>	<b>\$ -17,971.92</b>	<b>\$ -517.30</b>	<b>\$ -17,454.62</b>	<b>\$ -327,088.45</b>
Other Revenue				
3001 In-Kind Services & Use of Facilities				80.00
<b>Total Other Revenue</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$80.00</b>
Other Expenditures				
9050 Depreciation		16,583.49	-16,583.49	33,166.98



# Pullman Community Montessori

## Profit and Loss

March 2023

	TOTAL			
	MAR 2023	FEB 2023 (PP)	CHANGE	SEP 2022 - MAR 2023 (YTD)
9900 In-Kind Services & Use of Facilities - Expense				80.00
<b>Total Other Expenditures</b>	<b>\$0.00</b>	<b>\$16,583.49</b>	<b>\$ -16,583.49</b>	<b>\$33,246.98</b>
NET OTHER REVENUE	<b>\$0.00</b>	<b>\$ -16,583.49</b>	<b>\$16,583.49</b>	<b>\$ -33,166.98</b>
NET REVENUE	<b>\$ -17,971.92</b>	<b>\$ -17,100.79</b>	<b>\$ -871.13</b>	<b>\$ -360,255.43</b>

# Pullman Community Montessori

## Balance Sheet

As of March 31, 2023

	TOTAL		
	AS OF MAR 31, 2023	AS OF FEB 28, 2023 (PP)	CHANGE
<b>ASSETS</b>			
Current Assets			
Bank Accounts			
1000 Banner Bank x4353 - PUBLIC Checking	198,469.23	68,345.16	130,124.07
1001 Banner Bank x4695 - PRIVATE Checking	1,000.00	7,323.78	-6,323.78
1005 Banner Bank x3234 - PUBLIC Savings	1,095.65	1,095.63	0.02
<b>Total Bank Accounts</b>	<b>\$200,564.88</b>	<b>\$76,764.57</b>	<b>\$123,800.31</b>
Accounts Receivable			
1100 Accounts Receivable (A/R)	18,909.01	69,645.42	-50,736.41
<b>Total Accounts Receivable</b>	<b>\$18,909.01</b>	<b>\$69,645.42</b>	<b>\$ -50,736.41</b>
Other Current Assets			
1150 Prepaids & Other Assets	4,300.02	5,825.01	-1,524.99
<b>Total Other Current Assets</b>	<b>\$4,300.02</b>	<b>\$5,825.01</b>	<b>\$ -1,524.99</b>
<b>Total Current Assets</b>	<b>\$223,773.91</b>	<b>\$152,235.00</b>	<b>\$71,538.91</b>
Fixed Assets			
1501 Fixed Assets-Capitalized Equipment	46,770.36	46,770.36	0.00
1503 Fixed Assets-Leasehold Improvements	487,508.43	487,508.43	0.00
1504 Fixed Assets-Furniture, Fixtures & Other	68,838.42	68,838.42	0.00
1510 Facilities - In Progress	52,641.26	52,641.26	0.00
1550 Accumulated Depreciation	-99,118.43	-99,118.43	0.00
<b>Total Fixed Assets</b>	<b>\$556,640.04</b>	<b>\$556,640.04</b>	<b>\$0.00</b>
<b>TOTAL ASSETS</b>	<b>\$780,413.95</b>	<b>\$708,875.04</b>	<b>\$71,538.91</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities			
Current Liabilities			
Accounts Payable			
2100 Accounts Payable	155,330.51	72,935.46	82,395.05
<b>Total Accounts Payable</b>	<b>\$155,330.51</b>	<b>\$72,935.46</b>	<b>\$82,395.05</b>
Other Current Liabilities			
2101 Accrued Accounts & Payroll Payable	72,314.31	65,133.48	7,180.83
2155 Retirement Payable - DRS	15,938.97	17,277.17	-1,338.20
2156 Health Insurance Payable - SEBB	-29,976.50	-28,312.00	-1,664.50
2158 LTD Payable	244.69	257.90	-13.21
2171 Use Tax Payable	47.40	1,228.94	-1,181.54
2202 Loan Payable - short-term	32,232.84	32,232.84	0.00
<b>Total Other Current Liabilities</b>	<b>\$90,801.71</b>	<b>\$87,818.33</b>	<b>\$2,983.38</b>
<b>Total Current Liabilities</b>	<b>\$246,132.22</b>	<b>\$160,753.79</b>	<b>\$85,378.43</b>

# Pullman Community Montessori

## Balance Sheet

As of March 31, 2023

	TOTAL		
	AS OF MAR 31, 2023	AS OF FEB 28, 2023 (PP)	CHANGE
Long-Term Liabilities			
2501 Construction Loan Payable	498,484.36	499,859.33	-1,374.97
2510 Deferred Rent Liability	38,551.59	33,044.22	5,507.37
<b>Total Long-Term Liabilities</b>	<b>\$537,035.95</b>	<b>\$532,903.55</b>	<b>\$4,132.40</b>
<b>Total Liabilities</b>	<b>\$783,168.17</b>	<b>\$693,657.34</b>	<b>\$89,510.83</b>
Equity			
2998 Unrestricted Net Assets	336,658.52	332,001.21	4,657.31
2999 Restricted Net Assets	20,842.69	25,500.00	-4,657.31
Net Revenue	-360,255.43	-342,283.51	-17,971.92
<b>Total Equity</b>	<b>\$ -2,754.22</b>	<b>\$15,217.70</b>	<b>\$ -17,971.92</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$780,413.95</b>	<b>\$708,875.04</b>	<b>\$71,538.91</b>



## Pullman Community Montessori FY 22-23 Budget Status Report Mar-23

	Total			
	Actual	Budget	Over/(Under) Budget	% Received / Spent
<b>Revenue</b>				
Local Support	14,758.23	128,563.00	-113,804.77	11.48%
State Revenue - General	632,060.79	1,144,287.00	-512,226.21	55.24%
State Revenue - Special Purpose	114,730.95	305,212.00	-190,481.05	37.59%
Federal Revenue	257,582.69	511,741.00	-254,158.31	50.33%
Grants & Other Sources	56,155.49	164,000.00	-107,844.51	34.24%
<b>Total Revenue</b>	<b>\$ 1,075,288.15</b>	<b>\$ 2,253,803.00</b>	<b>-\$ 1,178,514.85</b>	<b>47.71%</b>
<b>Gross Profit</b>	<b>\$ 1,075,288.15</b>	<b>\$ 2,253,803.00</b>	<b>-\$ 1,178,514.85</b>	<b>47.71%</b>
<b>Expenditures</b>				
Salaries	639,368.98	975,792.00	-336,423.02	65.52%
Personnel Taxes & Benefits	233,690.40	422,085.54	-188,395.14	55.37%
Contracted Services	219,352.42	325,338.00	-105,985.58	67.42%
School Operations	166,367.02	251,251.00	-84,883.98	66.22%
Facility Operations & Maintenance	143,597.78	265,259.00	-121,661.22	54.13%
<b>Total Expenditures</b>	<b>\$ 1,402,376.60</b>	<b>\$ 2,239,725.54</b>	<b>-\$ 837,348.94</b>	<b>62.61%</b>
<b>Net Operating Revenue</b>	<b>-\$ 327,088.45</b>	<b>\$ 14,077.46</b>	<b>-\$ 341,165.91</b>	<b>-2323.49%</b>
<b>Net Revenue</b>	<b>-\$ 327,088.45</b>	<b>\$ 14,077.46</b>	<b>-\$ 341,165.91</b>	<b>-2323.49%</b>
 <b>Board Approved Expenditures</b>	 <b>2,239,726</b>			

# Pullman Community Montessori

## Statement of Cash Flows

January - March, 2023

	JAN 2023	FEB 2023	MAR 2023	TOTAL
<b>OPERATING ACTIVITIES</b>				
Net Revenue	-37,497.78	-17,100.79	-17,971.92	\$ - 72,570.49
Adjustments to reconcile Net Revenue to Net Cash provided by operations:				\$0.00
1100 Accounts Receivable (A/R)	-8,290.78	-33,328.09	50,736.41	\$9,117.54
1150 Prepaids & Other Assets	2,040.40	1,524.99	1,524.99	\$5,090.38
1550 Accumulated Depreciation		16,583.49		\$16,583.49
2100 Accounts Payable	6,305.66	-8,754.16	82,395.05	\$79,946.55
2101 Accrued Accounts & Payroll Payable	-18,965.56	-15,607.11	7,180.83	\$ - 27,391.84
2155 Retirement Payable - DRS	-402.22	2,948.46	-1,338.20	\$1,208.04
2156 Health Insurance Payable - SEBB	-924.50	-1,162.00	-1,664.50	\$ -3,751.00
2158 LTD Payable	-15.16	21.12	-13.21	\$ -7.25
2171 Use Tax Payable			-1,181.54	\$ -1,181.54
2202 Loan Payable - short-term		32,232.84		\$32,232.84
<b>Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:</b>	<b>-20,252.16</b>	<b>-5,540.46</b>	<b>137,639.83</b>	<b>\$111,847.21</b>
<b>Net cash provided by operating activities</b>	<b>\$ - 57,749.94</b>	<b>\$ - 22,641.25</b>	<b>\$119,667.91</b>	<b>\$39,276.72</b>
<b>FINANCING ACTIVITIES</b>				
2501 Construction Loan Payable	-4,789.09	-4,805.89	-1,374.97	\$ - 10,969.95
2510 Deferred Rent Liability	5,507.37	5,507.37	5,507.37	\$16,522.11
2998 Unrestricted Net Assets			4,657.31	\$4,657.31
2999 Restricted Net Assets			-4,657.31	\$ -4,657.31
<b>Net cash provided by financing activities</b>	<b>\$718.28</b>	<b>\$701.48</b>	<b>\$4,132.40</b>	<b>\$5,552.16</b>
<b>NET CASH INCREASE FOR PERIOD</b>	<b>\$ - 57,031.66</b>	<b>\$ - 21,939.77</b>	<b>\$123,800.31</b>	<b>\$44,828.88</b>



### Payroll Check Summary

*Payroll Runs: 03/10/2023, 03/16/2023, and 03/24/2023*

#### BOARD CERTIFICATION STATEMENT

Payments have been audited and certified by the Auditing Officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090. Those payments have been recorded on a listing which has been made available to the board.

As of April 25, 2023, the Board, by a \_\_\_\_\_ vote, approves payments totaling \$69,366.17. The payments are further identified in this document.

Total Payment by Type:

Payroll Direct Deposit (\$69,366.17)

Secretary	<u>Ayad Rahmani</u>	Board Member	<u>Kim Torres</u>
Board Member	<u>John Cassleman</u>	Board Member	<u>                    </u>
Board Member	<u>Aubree Guyton</u>	Board Member	<u>                    </u>
Board Member	<u>Beverley Wolff</u>		<u>                    </u>

### Accounts Payable Register

*March 2023*

#### BOARD CERTIFICATION STATEMENT

Payments have been audited and certified by the Auditing Officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090. Those payments have been recorded on a listing which has been made available to the board.

As of April 25, 2023, the Board, by a \_\_\_\_\_ vote, approves payments totaling \$38,147.65. The payments are further identified in this document.

Total Payment by Type:

Electronic Funds Transfer (\$38,147.65)

Secretary	<u>Ayad Rahmani</u>	Board Member	<u>Kim Torres</u>
Board Member	<u>John Cassleman</u>	Board Member	<u>                    </u>
Board Member	<u>Aubree Guyton</u>	Board Member	<u>                    </u>
Board Member	<u>Beverley Wolff</u>		<u>                    </u>



## Non-AP Cash Disbursement Register

*March 2023*

### BOARD CERTIFICATION STATEMENT

The following payments were paid during March 2023 but not captured in the AP register. This mostly includes debit card payments, certain EFT payments, manual checks, and private wires.

Payments have been audited and certified by the Auditing Officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090. Those payments have been recorded on a listing which has been made available to the board.

As of April 25, 2023, the Board, by a \_\_\_\_\_ vote, approves payments totaling \$2,919.84. The payments are further identified in this document.

#### Total Payment by Type:

Debit Card / EFT (\$2,058.33) – comprised mostly of automatic charges (Gusto – payroll provider, Verizon, Adobe, Microsoft, Bill.com, Facebook)

Manual Checks (\$861.51) – Manually cut payroll check (new employee)

Secretary	Ayad Rahmani	Board Member	Kim Torres
Board Member	John Cassleman	Board Member	
Board Member	Aubree Guyton	Board Member	
Board Member	Beverley Wolff		

**AUDITING OFFICER CERTIFICATION AND APPROVAL**  
(CHAPTER 42.24 RCW)

I, the undersigned, do hereby certify under penalty of perjury for the following vouchers, that the materials have been furnished, the services rendered or the labor performed as described herein and that the claim is a just, due and unpaid obligation against Pullman Community Montessori, and that I am authorized to authenticate and certify so said claim.

Pullman Community Montessori General Fund

March AP register totaling: \$38,147.65

Pay dates within **03/01/23 – 03/31/23**

Board Date **04/25/23**

\_\_\_\_\_  
Signature of Auditing Officer

\_\_\_\_\_  
Date



**Pullman Community Montessori  
Payroll Summary**

**Mar-23**



**Pay Code Totals**

Custodian / Bus Driver	3,783.56
Kitchen Staff	3,319.88
Office Administration	8,549.24
School Administration	14,000.08
Special Education Staff	6,499.64
Student Support Staff	20,463.58
Substitute Teacher	5,723.50
Teacher	24,668.86
<b>Total</b>	<b>87,008.34</b>

**Deduction Totals**

State Pension	6,090.30
State Employees Benefits Board	1,209.50
Supplemental LTD	244.69
Wage Garnishments	-
Federal Income Tax	5,662.69
Social Security	2,307.35
Medicare	1,244.12
WA Long Term Care Insurance	-
WA Workers' Comp Insurance	377.06
WA Family and Medical Leave Insurance	506.46
<b>Total</b>	<b>17,642.17</b>

**Benefits Totals**

State Pension	10,647.80
State Employees Benefits Board	15,903.00
Social Security	2,307.35
Medicare	1,244.12
WA SUI	(1,253.16)
WA EAF	39.31
WA Family and Medical Leave Insurance	-
WA Workers' Comp Insurance	740.60
<b>Total</b>	<b>29,629.02</b>

**Direct Deposit Total** **69,366.17**

# Pullman Community Montessori

## Bill Payment List

March 2023

DATE	NUM	VENDOR	AMOUNT	MEMO/DESCRIPTION
1000 Banner Bank x4353 - PUBLIC Checking				
03/01/2023	EFT	Raza Development Fund, Inc (v)	-3,340.80	
03/09/2023		Friends of Gladish	-1,788.58	
03/09/2023		Friends of Gladish	-9,126.96	
03/13/2023	EFT	URM Stores Inc	-5,542.26	
03/15/2023	EFT	Great American Insurance Group	-272.75	
03/15/2023	EFT	WA Dept of Retirement Systems	-18,076.30	
<b>Total for 1000 Banner Bank x4353 - PUBLIC Checking</b>			<b>\$ -38,147.65</b>	

**Pullman Community Montessori**  
**Non-AP Cash Disbursements**  
**March 2023**

	Date	Transaction Type	Num	Name	Memo/Description	Amount
<b>1000 Banner Bank x4353 - PUBLIC Checking</b>						
	03/01/2023	Expenditure		Facebook (v)	FACEBK MJ6HLMXKA Menlo ParkCA Ca FACEBK MJ6HLMXKA Menlo ParkCA Card# *8765	-125.32
	03/03/2023	Expenditure		Heggerty Literacy	HEGGERTY LITERAC OAK PARKIL Card HEGGERTY LITERAC OAK PARKIL Card# *8765	-195.00
	03/03/2023	Expenditure		Transparent	ACH transparent clas transpar ACH transparent clas transparen CCD ST-V9R4U5Q007J9 42	-194.03
	03/03/2023	Expenditure		Bill.com (QB Online Bill Pay)	ACH BILL.COM LLC BILLING ACH BILL.COM LLC BILLING CCD 01B4TFSXJXLHEOH 108268900	-16.71
	03/03/2023	Expenditure		Adobe	ADOBE *ACROPRO 4085366000CA Car ADOBE *ACROPRO 4085366000CA Card# *8765	-16.17
	03/10/2023	Expenditure		eFax	J2 EFAX SERVICE 323-817-3205CA J2 EFAX SERVICE 323-817-3205CA Card# *8765	-18.99
	03/13/2023	Expenditure		Online Job Ads	ONLINE JOB ADS I AustinTX Card# ONLINE JOB ADS I AustinTX Card# *8765	-129.48
	03/13/2023	Expenditure		Adobe	ADOBE *ACROPRO 4085366000CA Car ADOBE *ACROPRO 4085366000CA Card# *8765	-16.17
	03/13/2023	Expenditure		Microsoft	MSFT * E0300MLDH MSBILL.INFOWA C MSFT * E0300MLDH MSBILL.INFOWA Card# *8765	-26.71
	03/15/2023	Check	1050	Megan Warren		-861.51
	03/17/2023	Expenditure		Adobe	ADOBE *800-833- 800-833-6687CA ADOBE *800-833- 800-833-6687CA Card# *8765	-73.33
	03/17/2023	Expenditure		Adobe	ADOBE *ACROPRO 4085366000CA Car ADOBE *ACROPRO 4085366000CA Card# *8765	-51.77
	03/22/2023	Expenditure		Verizon Wireless	ACH VERIZON WIRELESS PAYMENTS ACH VERIZON WIRELESS PAYMENTS CCD 034243244300001 6223	-334.94
	03/23/2023	Expenditure		Adobe	ADOBE *ACROPRO 4085366000CA Car ADOBE *ACROPRO 4085366000CA Card# *8765	-16.17
	03/26/2023	Expenditure		Amazon	Business Prime annual membership fee	-840.54
<b>Total for 1000 Banner Bank x4353 - PUBLIC Checking</b>						<b>-\$ 2,916.84</b>
<b>1001 Banner Bank x4695 - PRIVATE Checking</b>						
	03/01/2023	Expenditure		Banner Bank	Paper statement fee	-3.00
<b>Total for 1001 Banner Bank x4695 - PRIVATE Checking</b>						<b>-\$ 3.00</b>
<b>Total</b>						<b>-\$ 2,919.84</b>



WASHINGTON STATE  
*Charter School Commission*  
STUDENTS • INNOVATION • TRANSPARENCY

# FINANCIAL PERFORMANCE FRAMEWORK & GUIDANCE

Charter School Commission  
Financial Performance Framework  
Updated: June 17, 2021

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*The Washington State Charter School Commission (Commission) provides equal access to all programs and services without discrimination based on sex, race, creed, religion, color, national origin, age, honorably discharged veteran or military status, sexual orientation including gender expression or identity, the presence of any sensory, mental, or physical disability, or the use of a trained dog guide or service animal by a person with a disability. Questions and complaints of alleged discrimination should be directed to the Executive Director:*

Washington State Charter School Commission

Attn: Executive Director

PO Box 40996, Olympia, WA 98504-0996

[CharterSchoolinfo@k12.wa.us](mailto:CharterSchoolinfo@k12.wa.us)

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# INTRODUCTION

The Washington State Charter School Commission (Commission) has collaborated with the National Association Charter School Authorizers (NACSA), in partnership with CliftonLarsonAllen (CLA), in the development of the Commission's *Financial Performance Framework (FPF) & Guidance*.

This document was developed from NACSA's Core Financial Performance Framework (Core FPF), which is based on national best practices in school finance.<sup>1</sup> In the development of this document, the Commission and NACSA have reviewed publicly available information related to the State of Washington's Charter Schools Act to determine if any of the measures in NACSA's Core FPF would need to be modified given the State of Washington's legislative, political, and financial charter school environment.

Some of the information reviewed includes:

- Publicly available information from the Washington State Board of Education:  
[www.sbe.wa.gov/charters.php](http://www.sbe.wa.gov/charters.php)
- Publicly available information from the Washington State Charter School Association:  
[www.wacharters.org](http://www.wacharters.org)
- Publicly available information from the Washington State Charter School Commission:  
[www.charterschool.wa.gov](http://www.charterschool.wa.gov)
- Initiative 1240: [www.sos.wa.gov/assets/elections/initiatives/FinalText\\_274.pdf](http://www.sos.wa.gov/assets/elections/initiatives/FinalText_274.pdf)
- Spokane Public Schools Authorizer Application:  
[www.sbe.wa.gov/documents/CharterSchools/SpokaneCharterAuthorizerApplication.pdf](http://www.sbe.wa.gov/documents/CharterSchools/SpokaneCharterAuthorizerApplication.pdf)

<sup>1</sup> The State of Washington's Charter Schools Act states that authorizers must develop and follow chartering policies and practices that are consistent with the principles and standards for quality charter authorizing developed by NACSA (WAC 180-19-030 (3)(b)(iii), Chapter 28A.710 RCW).

## WHY A FINANCIAL PERFORMANCE FRAMEWORK?

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The FPF is a reporting tool that provides the Commission with the necessary data to assess the financial health and viability of the charter schools in its portfolio for the purposes of an annual review. The framework summarizes a charter school's financial health and viability while taking into account the school's financial trends over a period of three years.

The FPF's measures are designed to be complementary. No single measure will give a full picture of the financial situation of a school. However, taken together, the measures provide a comprehensive assessment of the school's financial health and viability based on the school's historic trends, near-term financial situation, and future viability.

One of the Commission's core responsibilities is to protect the public interest by ensuring the highest standards of accountability and oversight for charter schools in its portfolio. The FPF is the primary lever for carrying out this responsibility with respect to the allocation and use of public funds by charter schools.



# FINANCIAL PERFORMANCE FRAMEWORK STRUCTURE

The FPF includes five main levels of information:

- Indicators
- Measures
- Metrics
- Targets
- Ratings

Component	Definition	Example
<b>Indicators</b>	General categories of financial performance	Near Term
<b>Measures</b>	General means to evaluate an aspect of an indicator	Current Ratio
<b>Metrics</b>	Method of quantifying a measure	Current ratio is the school's current liabilities over current assets
<b>Targets</b>	Thresholds that signify success in meeting the standard for a specific measure	Current ratio greater than 1.1
<b>Ratings</b>	Assignment of charter school performance into one of three categories, based on how the school performs against the framework targets	If school meets the target of 1.1 the rating category is "Meets Standard"

## Indicators

The FPF includes two indicators, or general categories, used to evaluate schools' financial performance.

### Near-Term

The portion of the FPF that tests a school's near-term financial health is designed to depict the school's financial position and viability in the upcoming year. Schools meeting the desired standards demonstrate a lower risk of financial distress in the coming year. Schools approaching the desired standards demonstrate a low to medium risk of financial distress in the coming year. Schools that fail to meet the standards may currently be experiencing financial difficulties and/or are at higher risk for financial

hardship in the near-term. These schools may require additional review and immediate corrective action on the part of the Commission.

### Sustainability

The FPF also includes longer-term financial sustainability measures and is designed to depict a school's financial position and viability over time. Schools that meet the desired standards demonstrate a lower risk of financial distress in the future. Schools that approach the standards demonstrate a low to medium risk of financial distress in the future. Schools that fail to meet the standards are at higher risk for financial hardship in the future.

### Measures

Measures are the means to evaluate an aspect of an indicator. Six measures are used for evaluation in the FPF. One additional measure is used for informational purposes only.

The measures for the financial framework are as follows:

- **1.a** Current Ratio (Near-Term)
- **1.b** Unrestricted Days Cash (Near-Term)
- **1.c** Debt Default (Near-Term)
- **2.a** Total Margin (Sustainability)
- **2.b** Debt to Asset Ratio (Sustainability)
- **2.c** Cash Flow (Sustainability)
- Enrollment Variance (Informational)

### Metrics

Metrics are the methods for calculating measures. An example of a metric is "Current Ratio equals Current Assets divided by Current Liabilities" ( $Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$ ). Each metric is detailed in the "Measures in Detail" section of this guidance.

### Targets

Targets are the thresholds that signify success for a specific measure. An example of a target is "Current Ratio is greater than 1.1." ( $Current\ Ratio > 1.1$ ). For each of the measures, targets are based on authorizer best practices, industry standards, and ratios that reflect the financial health of the school. The Commission will use data from the year-end audited financial statements for each school along with current financial data gathered through quarterly financial reports to calculate each measure. In order to depict the overall financial health of the school, these calculations are based on *all funds* of the school, not just the general fund.

The Commission believes that the life stage of a school should be taken into consideration when reviewing the financial viability of schools. Therefore, a number of the financial measures have two sets of targets. One set for schools in year 1 or 2 of operations, and one set for schools in year 3 or beyond.

## Ratings

The FPF ratings are either *Meets Standard*, *Approaching Standard* or *Does Not Meet Standard* (WAC 108-30-030). The Commission will consider any relevant context for the school's financial position that informs the causes for any perceived financial shortcomings. Appropriate monitoring and/or intervention will be determined, in part, by how the rating on the measure in question fits within the school's overall financial performance based on *all* evidence examined.

### Meets Standard

A *Meets* rating indicates sound financial viability based on the overall financial record.

### Approaching Standard

An *Approaching* rating indicates the school may be close to meeting the absolute FPF standard based on the financials under review, or any concerns have been adequately addressed based on additional information such that the Commission concludes that performance indicates sound financial viability.

### Does Not Meet Standard

A *Does Not Meet* rating means that even based on the most current financial information (recent audited financials and more current unaudited financials), the school is not currently meeting or approaching the standard, and/or concerns previously identified with the need of heightened monitoring and/or intervention have not been adequately corrected and/or, if not currently manifested, have been of a depth or duration that warrants continued attention. A *Does Not Meet* rating indicates that upon evidence from the FPF, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention is warranted. Appropriate monitoring and or interventions will be determined on a case by case basis, and, in part, by how the rating on the standard in question fits within the school's overall performance on the FPF.

The overall final rating of a school will document the Commission's assessment of the school's financial viability based on cumulative evidence from the quarterly reviews, State Auditor and independent audits, annual budgets, cash on hand, the FPF, and/or more detailed examination of the school's financial position, as needed.

# USE OF THE FINANCIAL PERFORMANCE FRAMEWORK

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## Collecting Evidence

The FPF is a monitoring tool that provides the Commission with key data to assess the financial health and viability of charter schools in their portfolio and to determine whether deeper analysis or monitoring is required. The FPF summarizes the charter school's current financial health while taking into account the school's financial trends over a period of three years. The measures are designed to be complementary, as no single measure gives a full picture of the financial situation of a school. Together they provide a comprehensive assessment of the school's financial health based on a school's historic trends, near-term financial situation, and future viability.

While the Commission provides oversight to charter schools, many of the state and federal fiscal accountability and reporting requirements will be monitored and/or audited by the Office of the Superintendent of Public Instruction (OSPI) and State Auditor's Office (SAO) program staff. Charter schools will be required to submit to the Commission, OSPI, SAO program review and audit reports, and independent audit reports, so that all agencies may work in collaboration regarding state and federal compliance.

There are a number of ways for that Commission may collect data to evaluate a charter school's financial viability and to determine a school's rating on any given measure, as well as a rating for the FPF as a whole. Please review the following resources for assistance in meeting appropriate reporting and financial viability obligations.

- [Commission Annual Compliance Calendar](#)
- [Commission New School Orientation Guidebook](#)
- [Commission Charter School Site Visit Guide](#)
- Commission Charter Tools Online Reporting System: [apps.charter-tools.com](https://apps.charter-tools.com)
- OSPI website: [www.k12.wa.us](https://www.k12.wa.us)
- SAO website : [www.sao.wa.gov](https://www.sao.wa.gov)

## Further Analysis for Determining Ratings

If a school does not initially meet the quantitative threshold for *Meets or Approaching Standard* on any measures, the Commission will conduct further analysis to determine the school's rating. A key first step is to request updated information, as the information in the audited financial statements is generally on a multi-month lag.

The Commission may request the following to monitor a school's financial position:

- Year-to-date unaudited financial statements
- Year-to-date budget variance reports
- Updated budget projections for the remainder of the fiscal year

This information will help the Commission to better understand the short- and long-term viability of the school and what the rating should be to adequately reflect the school's position. It is important to note that any interim financial information will not be audited, and thus its accuracy is not guaranteed. The Commission may request cash-on-hand financials, if the school is able to provide them, as they will allow for a more consistent analysis than if the Commission reviews cash-basis financials on an interim basis and accrual basis financials at year-end.

If other information is needed regarding a school's financial health, it may be necessary to contact the school's auditor, who often has an ongoing relationship and/or dialogue regarding plans to address financial issues and general financial sustainability. Please note that although the auditor works closely with the school, auditors are independent and thus should be able to provide an unbiased evaluation of the school's finances.

## Follow-Up/Additional Information that the Commission may Request

The following chart provides examples of additional information the Commission may request as part of the further analysis for schools that did not meet the quantitative standard on initial review. The chart includes additional information to request for the comprehensive review and what to look for in the additional data to identify signs of progress toward a more financially healthy school.

Measure	Additional Information to Request	Look For
<b>1.a</b> <i>Current Ratio</i>	Monthly financial statements	Monthly current ratio trending upwards
<b>1.b</b> <i>Days Cash</i>	Actual to-date cash flow and cash flow projections through the end of the fiscal year.  Monthly financial statements	Increases in unrestricted cash and days cash on hand approaching the target  <i>NOTE: It is important to review the cash flow monthly due to irregular funding streams</i>
<b>1.c</b> <i>Debt Default</i>	Copies of default-related documents the school received from the lender	Proof that the school is no longer in default, the lender has waived covenants, or the school has a plan to meet the covenants
<b>2.a</b> <i>Total Margin</i>	Revised budget Monthly (new) budget variance report	Budget demonstrates a net surplus and few variances, if any are present

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<b>2.b Debt to Asset Ratio</b>	Action plan and updated budget to increase the school's Net Assets  Monthly financial statements	Monthly debt to asset ratio trending upwards  Alignment among the action plan, budget, and financial statements
<b>2.c Cash Flow</b>	Actual to-date cash flow and cash flow projections through the end of the fiscal year	Increases in cash balance over the course of the year
<b>Enrollment Variance</b>	Budget revised to reflect lower enrollment  Monthly (new) budget variance reports	Review that the school has adjusted staffing expenses to align with enrollment

Steps the Commission may take as part of the further analysis include:

- Contacting the school's governing board, executive director, and finance director (or similar personnel) to inform them of their school's status
- Requesting up-to-date financial information from the school, as the FPF uses audited data which requires a time-lag.
- Running the up-to-date (interim) financial information through the framework., Up-to-date information may reveal steps the school has taken to mitigate any issues the FPF highlighted, but it is important to note that this information has not been audited and therefore does not have the same level of credibility<sup>2</sup>
- Inquiring about the measures of concern with the executive and finance directors to identify any strategies employed to mitigate issues or strategic choices the school made with the understanding that their financial stability would be compromised for a period of time (e.g. – as part of an expansion, the school intentionally spent down its fund balance, but has a plan to bring the balance up to an acceptable level).

When a school does not meet or approaches the quantitative thresholds on initial review, it may be either in immediate distress, financially trending negatively, neither, or both; hence the necessity for further conversation between the Commission and school leadership and/or additional analysis. For example, the school may have made a strategic financial decision that caused results that necessitated additional review, but upon additional questioning has sufficient reasons for the financial results in the given year and is not in immediate distress or a negative financial trend. The Commission may be able to validate reasoning provided regarding large events (significant purchase, natural disaster, etc.) in the

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<sup>2</sup> Interim data may be reported on an accrual, modified accrual, or cash basis, while financial audit data is reported on a full accrual basis. Results of the analysis may be different based on the reporting method and not the school's financial performance. For more information on analyzing interim data, see "General Monitoring."

notes to the financial statements from the prior year, which indicate any significant items shortly after year end. This information will support the Commission in determining the ratings for each measure.

## Evaluation

The Commission may use the FPF to both monitor charters in its portfolio on an ongoing annual basis and to inform high-stakes decisions such as renewal or revocation.

## Interim review

In addition to annual monitoring, the FPF is designed to assist the Commission in monitoring the financial health of a school on an ongoing basis. The Commission may utilize those items contained in “Follow-Up/Additional Information that the Commission may Request” to guide what questions to ask or information to request for schools not meeting absolute quantitative standards on initial review.

The data used to generate the measures is most representative if reported on a full accrual basis. However, many schools maintain ongoing tracking and reporting on a cash or modified accrual basis, which may incorrectly reflect a school’s financial standing in the ratios. Financial information gathered and analyzed on an interim basis will not be audited as well, and therefore is less reliable than the year-end data used for the full analysis. However, the Commission may utilize interim monitoring, as it is a helpful practice to remain cognizant of potential financial challenges schools are facing and may allow the Commission to support the school in a more proactive way than the year-end full analysis.

### Schools that may be in immediate financial distress

Schools that do not receive a *Meets Standard* or *Approaching Standard* rating on the near-term indicators may be at high risk for financial distress or closure. As such, they may require additional monitoring and/or corrective action. The Commission will determine the severity of the problem, assess changes in the school’s financial performance and health since the date of the audited financial statements, and may require that the school take actions to stabilize its financial position.

### Schools experiencing negative financial trends

Schools that do not receive a *Meets Standard* or *Approaching Standard* rating on the sustainability indicators for multiple reasons may be trending toward financial distress. However, they may have a sound rationale for not meeting the standards in a given year. For example, a school that is otherwise financially sound could fail to meet the cash flow measure if it made a one-time large operating investment.

The Commission will determine if the school’s failure to meet or approach the standards was a result of a one-time event or represents an underlying structural problem with the school’s financial performance. To this end, the Commission may collect and analyze additional information from the school and perform more in-depth due diligence.

## Intervention

The Commission may use the FPF to identify schools whose financial stability is in danger and intervene. This intervention could be in the form of communication of unsatisfactory performance, increased monitoring, mid-year financial check-ins, or requests for additional information as necessary.

For schools that are determined to be in financial distress following both phases of FPF review, the Commission may consider requiring ongoing reporting to monitor continuous financial performance. In a very serious situation, the Commission may consider terminating the contract, although this action is the most extreme form of intervention and will be employed only following other corrective actions or if the situation immediately warrants it.

## Renewal

The FPF is designed to be of particular use to the Commission during the renewal period for a school. The results will assist the Commission in identifying a school's historical financial trends and current financial positions, both of which are useful in gauging a school's future financial viability.

## Revocation

In the most severe cases of financial instability, the FPF is designed to indicate schools that might be considered for revocation of their charter contract. The targets for each measure are set to indicate schools that are falling far below standards; if a school is falling far below many of the financial standards, and has a consistent negative trend in the academic and organizational frameworks, they may be considered for revocation.

## General Monitoring

The Commission will conduct general monitoring of schools' finances by requiring submission of reporting on an interim basis more frequently than the annual audit. Because there is a significant lag between the school's year-end and when the Commission has access to the information, the FPF assessment is indicative of performance from at least several months back.

The financial the Commission will review on a periodic (generally quarterly) basis are:

- Income statement and balance sheet showing year-to-date actual, year-to-date budget, variance, and year- end budget
- Year-to-date statement of cash flows and cash flow projection through year end

These Interim reviews are key to identifying new and unresolved problems, as well as items that, due to timing of the audit, may not have triggered a review in the initial framework review. Due to a number of the measures including balance sheet figures (a snapshot of a point in time), these measures can be manipulated, intentionally or unintentionally, due to timing. For example, a school's management may



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Updated: June 17, 2021

choose not to pay a large invoice before year end to inflate its cash balance, or cash payments from the state may come just before year end in one year and after in another. Interim reviews will assist the Commission in avoiding undue reliance on what might be skewed data.

Because of the potential for different bases of accounting, as well as the impact of timing on many of the measures, the measures may be used to identify major discrepancies from targets, but identifying large budget variances to discuss with management can also serve as a useful, and less time-intensive, general monitoring tool.

## MEASURES IN DETAIL

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Each of the measures included in the FPF is described in the following pages. It is important to note that the FPF excludes measures of how a school manages and expends its funds, as the FPF is not designed to evaluate a school's spending decisions. For example, there are no measures that address what portion of a school's costs are for direct instruction; rather, the measures focus on the overall expenses of a school versus the offsetting revenues. Furthermore, the framework FPF does not include indicators of strong financial management practices, which are laid out in the organizational performance framework (e.g. adherence with Generally Accepted Accounting Principles (GAAP)). In short, the FPF analyzes the financial performance of a charter school, not its processes for managing that performance.

### 1. a. Current Ratio – Near Term Indicator

#### Definition

The current ratio depicts the relationship between a school's current assets and current liabilities.

#### Overview

The current ratio measures a school's ability to pay its obligations over the next twelve months. A current ratio of greater than 1.0 indicates that the school's current assets exceed its current liabilities, thus indicating ability to meet current obligations. A ratio of less than 1.0 indicates that the school does not have sufficient current assets to cover the current liabilities and is not in a satisfactory position to meet its financial obligations over the next 12 months.

#### Source of Data

Audited balance sheet

Near Term		
1.a. Current Ratio:		
$\left( \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \right)$		
Rating		
<b>Meets:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stage 1 (Years 1-2): Current Ratio is greater than or equal to 1.0</li> <li><input type="checkbox"/> Stage 2 (Year 3 and beyond): Current Ratio is greater than or equal to 1.1</li> <li>Or,</li> <li><input type="checkbox"/> Current Ratio is between 1.0 and 1.1 and one-year trend is positive (current year ratio is higher than last year's)</li> </ul>	<b>Approaching Standard:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stage 1 (Years 1-2): Current Ratio is greater than or equal to 0.9</li> <li><input type="checkbox"/> Stage 2 (Year 3 and beyond): Current Ratio is greater than or equal to 1.0</li> <li>Or,</li> <li><input type="checkbox"/> Current Ratio is between 0.9 and 1.0 and one-year trend is positive (current year ratio is higher than last year's)</li> </ul> <p>Or,</p> <p>Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.</p>	<b>Does Not Meet:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.</li> </ul>

### Guidelines for Target Level and Ratings

Best practices indicate that a current ratio should be a minimum of 1.0. Thus the Stage 1 target is 1.0. An upward trend of a current ratio that is greater than 1.0 indicates greater financial health. As such, the Stage 2 target is that a school have a current ratio greater than or equal to 1.1 or a current ratio greater than 1.1 that is increasing. Based on common standards a current ratio less than 0.9 is a serious financial health risk.

Similar to any individual or organization, a school must have enough current assets (e.g., cash and accounts receivable) to pay off its debts that are coming due in the near term (e.g. accounts payable). In

this manner, the school will not have to liquidate or otherwise use non-current assets to pay regular expenses. A current ratio of 1.0 indicates that school has enough current assets to pay off their current liabilities. The Stage 2 target was set at 1.1 (or 1.0 and growing) to require a school to have a 10% cushion for unexpected changes in the school's financial situation. A current ratio less than 1.0 or with a negative trend indicates a serious concern as the school is unable to pay off current liabilities with assets currently available.

**Further Analysis Considerations**

A school that does not meet the quantitative targets on initial review may be subject to further review by the Commission to identify if there are any unusual or planned circumstances that led to the current ratio rating, as well as what management has done to mitigate this situation.

One mitigating factor for consideration is if a school has a line of credit available that they could access to pay for current liabilities in the short-term. This would not be included as an asset, but would be identified in the notes to the financial statements.

## 1. b. Unrestricted Days Cash – Near Term Indicator

### Definition

The unrestricted days cash-on-hand ratio indicates how many days a school can pay its expenses without another inflow of cash.

### Overview

The unrestricted days cash ratio indicates whether or not the school has sufficient cash to meet its cash obligations. Depreciation expense is removed from the total expenses denominator because it is not a cash expense.

### Source of Data

Audited balance sheet and income statement. Note that if cash is restricted due to legislative requirements, donor restrictions, or others, the restriction should be listed in the audit.

Near Term		
<b>1.b. Unrestricted Days Cash:</b> $\left\{ \text{Unrestricted Days Cash} = \frac{\text{Unrestricted Cash}}{\left[ \frac{(\text{Total Expenses} - \text{Depreciation})}{365} \right]} \right\}$		
Rating		
<b>Meets:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stage 1 (Years 1-2): 30 Days Cash</li> <li><input type="checkbox"/> Stage 2 (Year 3 and beyond): 60 Days Cash</li> <li>Or,</li> <li><input type="checkbox"/> Between 30 and 60 Days Cash and one-year trend is positive</li> </ul>	<b>Approaching Standard:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stage 1 (Years 1-2): 21 Days Cash</li> <li><input type="checkbox"/> Stage 2 (Year 3 and beyond): 42 Days Cash</li> <li>Or,</li> <li><input type="checkbox"/> Between 21 and 42 Days Cash and one-year trend is positive</li> <li>Or,</li> <li>Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.</li> </ul>	<b>Does Not Meet:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.</li> </ul>

### **Guidelines for Target Level and Ratings**

A standard minimum measure of financial health of any organization is at least one month's worth of operating expenses cash-on-hand is. As such, the Stage 1 threshold for this indicator is set at 30 days cash.

Due to the nature of charter school cash flow and the sometimes irregular receipts of revenue, a 60-day threshold was set for Stage 2 schools to meet the standard. However, schools showing a growing cash balance from prior years and who have enough cash to pay at least one month's expenses are also financially stable enough and show positive trending, and therefore meet standard.

If a school has less than 15 days of cash on hand, they will not be able to operate for more than a few weeks without another cash inflow, and are at high risk for immediate financial difficulties.

### **Further Analysis Considerations**

Three primary considerations may be made when evaluating days cash in a further analysis:

1. Access to a line of credit
2. Highly liquid non-cash assets
3. The timing of the next large cash inflow (generally state payment).

Each of these items may mitigate a cash shortage, but the Commission may still discuss this concern with the school's management and/or board to ensure the school is aware of the cash situation and has intentional plans of how to mitigate it.

## 1. c. Debt Default – Near Term Indicator

### Definition

Debt default indicates if a school is not meeting debt obligations or covenants.

### Overview

This metric addresses whether or not a school is meeting its loan covenants and/or is delinquent with its debt service payments. A school that cannot meet the terms of its loan may be in financial distress. Dependent on the debt environment, the Commission may consider a school in default only when it is not making payments on its debt, or when it is out of compliance with other requirements in its debt covenants.

### Source of Data

Notes to the audited financial statements

Near Term		
1. c. Default		
Rating		
<b>Meets:</b> <input type="checkbox"/> Stages 1 and 2: School is not in default of loan covenant(s) and/or is not delinquent with debt service	<b>Approaching Standard:</b> <input type="checkbox"/> Stages 1 and 2: School is not in default of loan covenant(s) and/or is not delinquent with debt service  Or,  Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.	<b>Does Not Meet:</b> <input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

### Guidelines for Target Level and Ratings

Schools that are not meeting financial obligations, either through missed payments or violations of debt covenants, are at risk of financial distress.

### **Further Analysis Considerations**

The Commission may require schools to immediately notify them if they are in default, and the Commission may choose to establish communication with the lender to understand the impact of the default on the school's viability. If the lender waives the requirements causing default, the technical fact of default may not significantly impact a school's viability. On the other hand, if the lender chooses to call the loan over a default, the school's ability to continue operations could be at risk.



## **2. a. Total Margin and Aggregated Three-year Total Margin – Sustainability Indicator**

### **Definition**

Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, whether or not the school is living within its available resources.

### **Overview**

The total margin measures if a school operates at a surplus (more total revenues than expenses) or a deficit (more total expenses than revenues) in a given time period. The total margin is important to track as schools cannot operate at deficits for a sustained period of time without risk of closure. Though the intent of a school is not to make money, it is important for schools to build, rather than deplete, a reserve to support growth or to sustain the school in an uncertain funding environment.

The aggregated three-year total margin is helpful for measuring the long-term financial stability of the school by smoothing the impact of single-year fluctuations on the single year total margin indicator. The performance of the school in the most recent year, however, is indicative of the sustainability of the school, thus the school must have a positive total margin in the most recent year to meet standard.

### **Source of Data**

Three years of audited income statements

Sustainability		
<b>2.a. Total Margin:</b> $\left( \text{Total Margin} = \frac{\text{Net Income}}{\text{Total Revenue}} \right)$ <b>Aggregated Total Margin:</b> $\left( \text{Total Aggregated Margin} = \frac{\text{Total 3 Year Net Income}}{\text{Total 3 Year Revenues}} \right)$		
Rating		
<b>Meets:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stage 1 (Years 1-2): Total Margin must be positive in both years</li> <li><input type="checkbox"/> Stage 2 (Year 3 and beyond): Aggregated Three-Year Total Margin is positive and the most recent year Total Margin is positive, Or,</li> <li><input type="checkbox"/> Aggregated Three-Year Total Margin is greater than -1.5%, the trend is positive for the last two years, and the most recent Total Margin is positive</li> </ul>	<b>Approaching Standard:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stage 1 (Years 1-2): Total Margin must be positive in both years</li> <li><input type="checkbox"/> Stage 2 (Year 3 and beyond): Aggregated Three-Year Total Margin is positive and the most recent year Total Margin is positive, Or,</li> <li><input type="checkbox"/> Aggregated Three-Year Total Margin is greater than -2.0%, the trend is positive for the last two years, and the most recent Total Margin is positive</li> </ul> <p>Or,</p> <p>Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.</p>	<b>Does Not Meet:</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.</li> </ul>

### **Guidelines for Target Level and Ratings**

General preference in any industry is that total margin is positive. However, organizations may make strategic choices to operate at a deficit for a year for a large capital expenditure or other planned expense.

The targets set allow for flexibility over a three-year timeframe in the aggregate total margin, but require a positive total margin for the current year to meet standard. For Stage 1 schools that do not have three years of data, having a positive margin in the first two years is important, as younger schools tend to have smaller reserves to cover negative margins.

A margin in any year of less than -10 percent or an aggregate three-year total margin less than -1.5 percent is an indicator of financial risk.

### **Further Analysis Considerations**

To conduct further analysis, the Commission may first review the school's budget in the year(s) in which a negative total margin was realized to identify if any of the losses were planned. If a loss was planned, the Commission might discuss this with the school's leadership to understand for what purpose it was planned and projections to operate at a sustainable level moving forward.

Additionally, if a school had one significantly large net loss in a prior year which has pulled their aggregate net margin below -1.5%, the Commission should review the financial progress made since the year in consideration and discuss why the year had such a negative result and changes made to improve performance since that point with management.

## 2. b. Debt to Asset Ratio – Sustainability Indicator

### Definition

The debt to asset ratio measures the amount of liabilities a school owes versus the assets they own; in other words, it measures the extent to which the school relies on borrowed funds to finance its operations.

### Overview

The debt to asset ratio compares the school's liabilities to its assets. Simply put, the ratio demonstrates what a school owes against what it owns. A lower debt to asset ratio generally indicates stronger financial health.

### Source of Data

Audited balance sheet

Sustainability		
2.b. Debt to Asset Ratio:		
$\left( \text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \right)$		
Rating		
<b>Meets:</b> <input type="checkbox"/> Stages 1 and 2: Debt to Asset Ratio is less than 0.90	<b>Approaching Standard:</b> <input type="checkbox"/> Stages 1 and 2: Debt to Asset Ratio is equal to or less than 1.0  Or,  Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.	<b>Does Not Meet:</b> <input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

### **Guidelines for Target Level and Ratings**

A debt to asset ratio greater than 1.0 is a generally accepted indicator of potential long-term financial issues, as the organization owes more than it owns, reflecting a risky financial position.

A ratio less than 0.9 indicates a financially healthy balance sheet, both in the assets and liabilities, and the implied balance in the equity account.

### **Further Analysis Considerations**

A debt to asset ratio greater than 0.9 in an environment like that of the State of Washington charter schools can indicate potential long-term financial issues, as the organization may be over-leveraged based on the assets it has acquired. The Commission may review the breakdown of liabilities within the balance sheet of the audited financials to identify what comprises the total liabilities figure. Additional information about significant liabilities is generally included in the notes to the financial statements. Lastly, the Commission may discuss the levels of debt and assets with the school's leadership to better understand why the school has taken on the debt it has and what the plans are to pay down the debt.

## 2. c. Cash Flow – Sustainability Indicator

### Definition

The cash flow measure indicates a school's change in cash balance from one period to another.

### Overview

Cash flow indicates the trend in the school's cash balance over a period of time. This measure is similar to days cash-on-hand, but indicates long-term stability versus near-term. Since cash flow fluctuations from year-to-year can have a long-term impact on a school's financial health, this metric assesses both three-year cumulative cash flow and annual cash flow. Similar to total margin, this measure is not intended to encourage amassing resources instead of deploying them to meet the mission of the organization, but rather to provide for stability in an uncertain funding environment.

### Source of Data

Three years of audited balance sheets

Sustainability		
<b>2.c. Cash Flow</b> <b>Multi-Year Cash Flow:</b> $(Multi\ Year\ Cash\ Flow = Year\ 3\ Total\ Cash - Year\ 1\ Total\ Cash)$ <b>One Year Cash Flow:</b> $(One\ Year\ Cash\ Flow = Year\ 2\ Total\ Cash - Year\ 1\ Total\ Cash)$		
Rating		
<b>Meets:</b> <input type="checkbox"/> Stage 1 (Year 1): N/A <input type="checkbox"/> Stage 1 (Year 2): Positive one-year Cash Flow <input type="checkbox"/> Stage 2 (Year 3 and beyond): Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive each year,	<b>Approaching Standard:</b> <input type="checkbox"/> Stage 1 (Year 1): N/A <input type="checkbox"/> Stage 1 (Year 2): Positive one-year Cash Flow <input type="checkbox"/> Stage 2 (Year 3 and beyond): Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive each year, Or, <input type="checkbox"/> Multi-Year and most recent year Cash Flows are positive  Or, Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.	<b>Does Not Meet:</b> <input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

#### Guidelines for Target Level and Ratings

A positive cash flow over time generally indicates increasing financial health and sustainability of a charter school.

### **Further Analysis Considerations**

Similar to the days cash on hand, the amount of cash a school has as of the date of the audit may be influenced by the timing of payments (made or received) and if any liquid investments were added to the school's balance sheet, which would have likely been in exchange for cash, thus lowering the school's cash balance, but likely not truly impacting the school's ability to make payments if the investments are highly liquid.

One additional consideration is how many dollars the cash declined by if it did decrease for either the one year or multi-year cash flow. If the decrease was by a nominal amount, the Commission may consider this point when assigning a rating for this measure.



## Enrollment Variance – Near Term Indicator

**NOTE:** *This measure is informational only.*

### Definition

Enrollment variance indicates whether or not the school is meeting its enrollment projections. As enrollment is a key driver of revenue, variance is important to track the sufficiency of revenues generated to fund ongoing operations.

### Overview

The enrollment variance depicts actual versus projected enrollment. A school budgets based on projected enrollment but is funded based on actual enrollment; therefore, a school that does not meet its enrollment targets may not be able to meet its budgeted expenses. In the State of Washington, charter schools in their first year of operations receive funds based on their projected enrollment, meaning that schools that have not met enrollment targets may be able to operate smoothly through their first year without budget adjustments. However, schools must reconcile with OSPI and repay any overpayments from the school's first year of operation during its second year; thus, if a school misses enrollment targets in the first year, it is important that the school modify its budget appropriately in year 1 to avoid having a significant shortfall in year 2 or subsequent years. The consequences of missing enrollment targets and the associated impact on a school's budget are delayed for new schools, but budgetary adjustments should not be delayed.

Though enrollment is not the singular driver of revenues for a school, it is highly correlated at a minimum. As school budgets are generally designed to match expenses with projected revenues, a poor enrollment variance is a substantial indicator of potential financial issues.

Schools less than five years old may have greater fluctuations in their enrollment because they have not yet established themselves in the community. However, mature schools with large, unexplained fluctuations in enrollment may be in financial distress if they are not able to adjust accordingly. Often, financially stable schools will purposefully underestimate enrollment so that they may budget more conservatively.

### Source of Data

- Projected enrollment – Charter school board-approved budget for the year in question
- Actual enrollment

Near Term		
Enrollment Variance: $\left( \text{Enrollment Variance} = \frac{\text{Actual Enrollment}}{\text{Projected Enrollment}} \right)$		
Rating		
<b>Meets:</b> <input type="checkbox"/> Stage 1 and 2: Enrollment Variance equals or exceeds 95%	<b>Approaching Standard:</b> <input type="checkbox"/> Stage 1 and 2: Enrollment Variance equals or exceeds 85%  Or,  Stages 1 and 2: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.	<b>Does Not Meet:</b> <input type="checkbox"/> Stages 1 and 2: Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

### Guidelines for Target Level and Ratings

Enrollment variance less than 85 percent indicates that a significant amount of funding on which a school set its expense budget is no longer available, and thus the school is at a significant financial risk. Conversely, Schools that achieve at least 95 percent of projected enrollment generally have the operating funds necessary to meet all expenses, and thus are not at a significant risk of financial distress.

### Further Analysis Considerations

Enrollment variance of less than 95 percent indicates that a school had to make significant changes to planned expenses or had to utilize its fund balance to operate. A highly significant variance result – such as a percent of 85 or lower, indicates that a significant amount of funding on which a school set its expense budget is no longer available, and thus the school is at a significant financial risk. The Commission should request revised budgets and cash flow projections from schools to ensure that they are making adjustments necessary to operate high quality schools with less public revenue.

## CONSIDERATIONS WHEN EVALUATING SCHOOLS AFFILIATED WITH NETWORKS OR EDUCATIONAL SERVICE PROVIDERS

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The FPF focuses on the charter school, the entity to which the Commission has a legal relationship through the charter contract. In some locales with one charter contract for multiple schools or independent campuses, the authorizer may hold each school or campus independently accountable. Each charter school or campus should have its own independent audit and financial statements that can be evaluated by the Commission, or, if an umbrella entity has a single consolidated audit for multiple schools or campuses, each school or campus's financials should be independently represented in the consolidated audit.

If a school contracts with an Education Service Provider (ESP), the FPF will still apply. The school should have an independent audit and separately report their financial data that shows the individual school's finances, with any fees to the ESP clearly delineated. The Commission will not permit schools to operate with what are commonly called "sweeps contracts," which require schools to transmit all of their revenues to an ESP without accounting for revenues and expenditures at the school level

## GLOSSARY A: TERMS USED IN THE FRAMEWORK

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**Assets:** A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events. These economic resources can be tangible or intangible.

**Audit:** A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries, and confirmations with third parties. Refer to Compliance Audit, Corrective Action Plan, Financial Audit, Performance Audit, and Single Audit.

**Balance Sheet:** A financial statement that discloses the assets, liabilities, and equities of an entity at a specified date in conformity with generally accepted accounting principles (GAAP). Also referred to as the Statement of Financial Position or Statement of Net Assets.

**Basis of Accounting:** This refers to the methodology and timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Refer to Accrual Basis, Modified Accrual Basis, and Cash Basis.

**Cash Basis:** A basis for accounting whereby revenues are recorded only when received and expenses are recorded only when paid without regard to the period in which they were earned or incurred.

**Consultant:** An independent individual or entity contracting with an agency to perform a personal service or render an opinion or recommendation according to the consultant's methods and without being subject to the control of the agency except as to the result of the work. The agency monitors progress under the contract and authorizes payment.

**Current Assets:** Resources that are available, or can readily be made available, to meet the cost of operations or to pay current liabilities.

**Current Liabilities:** Those obligations that are payable within one year from current assets or current resources.

**Current Ratio:** A financial ratio that measures whether or not an organization has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities and is expressed as follows:  $\text{current ratio} = \text{current assets} \div \text{current liabilities}$ .

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**Debt:** An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of the state include bonds, accounts payable, and other liabilities. Refer to Bonds Payable, Accounts Payable, Liabilities, Long-Term Obligations, and General Long-Term Obligations.

**Debt Service:** The cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt service is often calculated on a yearly basis.

**Debt Service Default:** Occurs when the borrower has not made a scheduled payment of interest or principal.

**Debt Service Coverage Ratio:** Also known as “debt coverage ratio,” is the ratio of cash available for debt servicing to interest, principal, and lease payments.

**Debt to Asset Ratio:** A financial ratio that measures the proportion of an organization’s assets that are financed through debt. It compares an organization’s total assets to its total liabilities and is measured by dividing the total liabilities by the total assets. If the ratio is less than one, most of the organization’s assets are financed through equity. If the ratio is greater than one, most of the organization’s assets are financed through debt.

**Financial Audit:** An audit made by an independent external auditor for the purpose of issuing an audit opinion on the fair presentation of the financial statements of the state in conformity with Generally Accepted Accounting Principles. Refer to Audit.

**Fiscal Period:** Any period at the end of which a governmental unit determines its financial position and the results of its operations. Refer to Accounting Period.

**GAAP:** Refer to Generally Accepted Accounting Principles.

**General Fund:** The general fund is used to account for the financial activities of the general government not required to be accounted for in another account.

**Generally Accepted Accounting Principles (GAAP):** These are the uniform minimum standards for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative body on the application of Generally Accepted Accounting Principles (GAAP) to state and local governments is the Governmental Accounting Standards Board.

**Governmental Accounting:** The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of a governmental entity.

**Income Statement:** A financial statement that shows revenues and expenditures of an entity at a specified date in conformity with Generally Accepted Accounting Principles (GAAP). Also referred to as the Statement of Activities and Changes in Net Assets or the Statement of Activities.

**Indicator:** General categories of financial performance.

**Interest Payable:** A liability account reflecting the amount of interest owed by the state. In governmental funds, interest is to be recognized as an expenditure in the accounting period in which it becomes due and payable, and the liability is to be recorded as interest payable at that time. In proprietary and trust funds, interest payable is recorded as it accrues, regardless of when payment is actually due.

**Interim Financial Statement:** A financial statement prepared before the end of the current fiscal period and covering only financial transactions during the period to date.

**Liabilities:** Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

The term does not include encumbrances.

**Margin:** The difference between revenues and expenses. The margin can refer to the gross margin (operating revenues less operating expenses) or the total margin (see Total Margin).

**Measure:** General means to evaluate an aspect of an indicator.

**Metric:** Method of quantifying a measure.

**Net Assets:** The difference between assets and liabilities. Refer to Fund Equity.

**Net Income:** A term used in accounting for proprietary funds to designate the excess of total revenues and operating transfers in divided by total expenses and operating transfers out for an accounting period.

**Principal:** The amount of the loan excluding any interest.

**Statement of Activities:** A government-wide financial statement that reports the net (expense) revenue of its individual functions. An objective of using the net (expense) revenue format is to report the relative financial burden of each of the reporting government's functions on its taxpayers.

**Statement of Cash Flows:** A GAAP financial statement for proprietary funds that provides relevant information about the cash receipts and cash payments of a government during a period. It categorizes cash activity as resulting from operating, noncapital financing, capital financing, and investing activities.

**Statement of Activities and Changes in Net Assets:** The financial statement that is the GAAP operating statement for pension and investment trust funds. It presents additions and deductions in net assets held for pension benefits and investment pool participants. It reconciles net assets held at the beginning and end of the financial period, explaining the relationship between the operating statement and the balance sheet.

**Statement of Net Assets:** A government-wide financial statement that reports the difference between assets and liabilities as net assets, not fund balances or equity. Assets are reported in order of liquidity, or how readily they are expected to be converted to cash and whether restrictions limit the government's ability to use the resources. Liabilities are reported based on their maturity, or when cash is expected to be used to liquidate them. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

**Target:** Threshold that signifies success for a specific measure.

**Total Margin:** Total revenues less total expenses.

## GLOSSARY B: OTHER USEFUL ACCOUNTING TERMS

**Accounting Period:** Any period of time designated for which financial statements are prepared. Refer to Fiscal Period.

**Cost Accounting:** The method of accounting that provides for accumulating and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

**Deficit:** 1) The excess of the liabilities and reserves of a fund over its assets. 2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**Fund Balance:** In governmental funds, this is the difference between fund assets and fund liabilities. Governmental fund balances should be segregated into reserved and unreserved amounts. Refer to Reserved Fund Balance and Unreserved Fund Balance.

**Long-Term Obligations:** Those obligations expected to mature at some future date and therefore not expected to be liquidated with currently existing resources or current assets. The long-term liabilities of specific enterprise, internal service, and trust funds are to be accounted for through those funds. All other un-matured, general, long-term liabilities are to be accounted for in the General Long-Term Obligations Subsidiary Account.

**Modified Accrual Basis:** The basis of accounting under which expenditures, whether paid or unpaid, are formally recognized when incurred against the account, but revenues are recognized only when they become both measurable and available to finance expenditures of the current accounting period. All governmental funds use the modified accrual basis of accounting.

**Operating Budget:** A plan of current expenditures and the proposed means of financing them. The operating budget is the primary means to ensure that the financing, acquisition, spending, and service delivery activities of the state are controlled.

**Operating Expenses:** Proprietary fund expenses that are directly related to the fund's principal operations.

**Operating Income:** The excess of proprietary fund operating revenues over operating expenses.

**Operating Revenue:** Proprietary fund revenues that are directly related to the fund's principal operations. They consist primarily of user charges for goods and services.



**Operating Statement:** The financial statement disclosing the financial results of operations of a governmental unit during an accounting period in conformity with Generally Accepted Accounting Principles (GAAP).

**Reserved Fund Balance:** Those portions of fund balance that are not appropriated for expenditure or that are legally segregated for a specific future use. Refer to Fund Balance.

**Restricted Assets:** Assets whose use is subject to constraints that are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

**Restricted Net Assets:** One of the three components of net assets reported in government-wide and proprietary fund financial statements. Net assets should be restricted when constraints are placed on net asset use either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

**Single Audit:** A financial, internal control, and compliance audit of a nonfederal entity administering federal assistance awards including the financial statements of the entity.

**Statement of Changes in Fiduciary Net Assets:** The fund financial statement that presents information about the changes in net assets for each fiduciary fund.

**Statement of Fiduciary Net Assets:** The fund financial statement that presents information about the assets, liabilities, and net assets for each fiduciary fund type.

**Statement of Revenues, Expenditures and Changes in Fund Balance:** The financial statement that is the Generally Accepted Accounting Principles (GAAP) operating statement for governmental funds. It presents the inflows, outflows, and balances of current financial resources. It reconciles fund balance at the beginning and end of the financial period, explaining the relationship between the operating statement and the balance sheet.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets or Fund Equity:** The financial statement that is the Generally Accepted Accounting Principles (GAAP) operating statement for proprietary funds. It distinguishes between operating and non-operating revenues and expenses, and separately presents revenues from capital contributions and additions to the principal of permanent and term endowments, special and extraordinary items, and transfers. It reconciles fund net assets or fund equity at the beginning and end of the financial period, explaining the relationship between the operating statement and the balance sheet/statement of net assets.

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**Unreserved Fund Balance:** Unreserved fund balance is that portion of governmental fund equity that is neither legally segregated for a specific future use nor unavailable for appropriation. It may be either designated or undesignated. Designations may be established to indicate tentative plans for financial resource utilization in a future period. Unreserved, undesignated fund balance is available for appropriation. Refer to Fund Balance.

**Unrestricted Net Assets:** One of the three components of net assets reported in government-wide and proprietary fund financial statements. It represents that portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

## Notice

The following file is attached to this PDF. You will need to open this packet in an application that supports attachments to pdf files, e.g. [Adobe Reader](#):

Financial Framework Condensed Tracker (2022-23).xlsx